

Internal Revenue Service

Department of the Treasury

District  
Director

P.O. Box 1680, GPC Brooklyn, N.Y. 11202

Date: JAN 21 1986

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Ladies and Gentlemen:

We have considered your application for tax exempt status under section 501(c)(6) of the Internal Revenue Code of 1954.

The information presented reveals that you were incorporated on [REDACTED] under Section [REDACTED] of the Not-for-Profit Corporation Law of [REDACTED].

The purposes for which the organization is formed are as follows according to the creating document:

To promote good fellowship, cooperation, and mutual interest among its members and to foster and advance the trade and commerce of its members; to aid one another and the industry as a whole; to encourage the exchange of ideas among its members for their common good and welfare to establish a central agency for securing, classifying and disseminating to its members trade, credit, and other information essential for their purpose in the adequate conduct of their business.

Your corporation was formed to promote the common interests of [REDACTED] dealerships in the [REDACTED] district Area of [REDACTED]; to foster and advance the trade and commerce of its members by pooling resources together to advertise and market the product-[REDACTED] cars. The organization's membership includes owners of twelve area dealerships.

The primary activity consists of coordinating advertising campaigns on radio, television and the printed media. Your income is derived from members dues and assessments. Your disbursements are for advertising costs.

Section 501(c)(6) of the Internal Revenue Code exempts from Federal income tax:

"Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a "business league" is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual purposes.

Revenue Ruling 67-77 held that a non-profit organization whose principal activity is financing advertising campaigns to promote the sale of a particular make of automobile is not exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code. In this Revenue Ruling, membership in the organization was restricted to dealers who hold franchises for the sale of a certain make automobile in a designated area. It was formed to unite the dealers in that area and to finance general advertising campaigns which promote the sale of automobiles, parts, and services. Its only income is derived from contributions of dealer-members.

The organization described above, instead of engaging in activities for the improvement of business conditions in the automotive industry as a whole, is performing services for its members by advertising the make of automobile sold by its members.

Like the organization described in Revenue Ruling 67-77, the corporation's primary activity is financing general advertising campaigns which promote the sale of automobiles, parts, and services. Similar to the organization described in Revenue Ruling 67-77, it is held that your organization is performing services for its members by coordinating the general advertising campaigns.

In a Court Case, *The National Muffler Dealers Association, Inc. v. U.S.* 440 U.S. 472 (1979) the position of the Internal Revenue Service was upheld and the Court denied exemption to The National Muffler Dealers, Association, Inc. because it confined its membership to dealers franchised by a particular company and its activities to the businesses of that company.

In conclusion, it is held that the [REDACTED] is not operated for purposes described in section 501(c)(6) of the Internal Revenue Code of 1954. Therefore, you do not qualify for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

District Director

cc:



Enclosure: Pub. 892